

Montana's Experience – SEPs and Penalties

Tom Livers, Deputy Director
Montana Department of
Environmental Quality

Common theme:

- Fund energy projects with money collected from environmental quality violations

Two variations:

- Penalty-Funded Programs
- Supplemental Enforcement Projects

Alternative Energy Revolving Loan Program

Administrative and civil penalties from violations of Montana Air Quality Act deposited in alternative energy revolving loan account

- Administrative penalties \leq \$10,000/day, \leq \$80,000 total
- Civil penalties \leq \$10,000/violation
- Collected \$800,000 to date, with another \$400,000 pending

Alternative Energy Revolving Loan Program

- Multi-faceted energy incentives bill in 2001 Legislature
- Individuals and small businesses
- Alternative energy systems
 - Self-generation
 - Net metered systems
- Loan ceiling \$10,000
- 5-year term

Alternative Energy Revolving Loan Program

Expanded in 2005

- Local governments, university system, nonprofit organizations
- Energy conservation in conjunction with alternative energy systems
- Loan ceiling \$40,000
- 10-year term

Supplemental Enforcement Projects

- Environmentally beneficial
- Settlement of enforcement action
- Portion of SEP value offsets part of a cash penalty
- Relationship to the violation (nexus)
 - Topical
 - Geographic
- Negotiated
- Enforceable as part of settlement

Supplemental Enforcement Projects

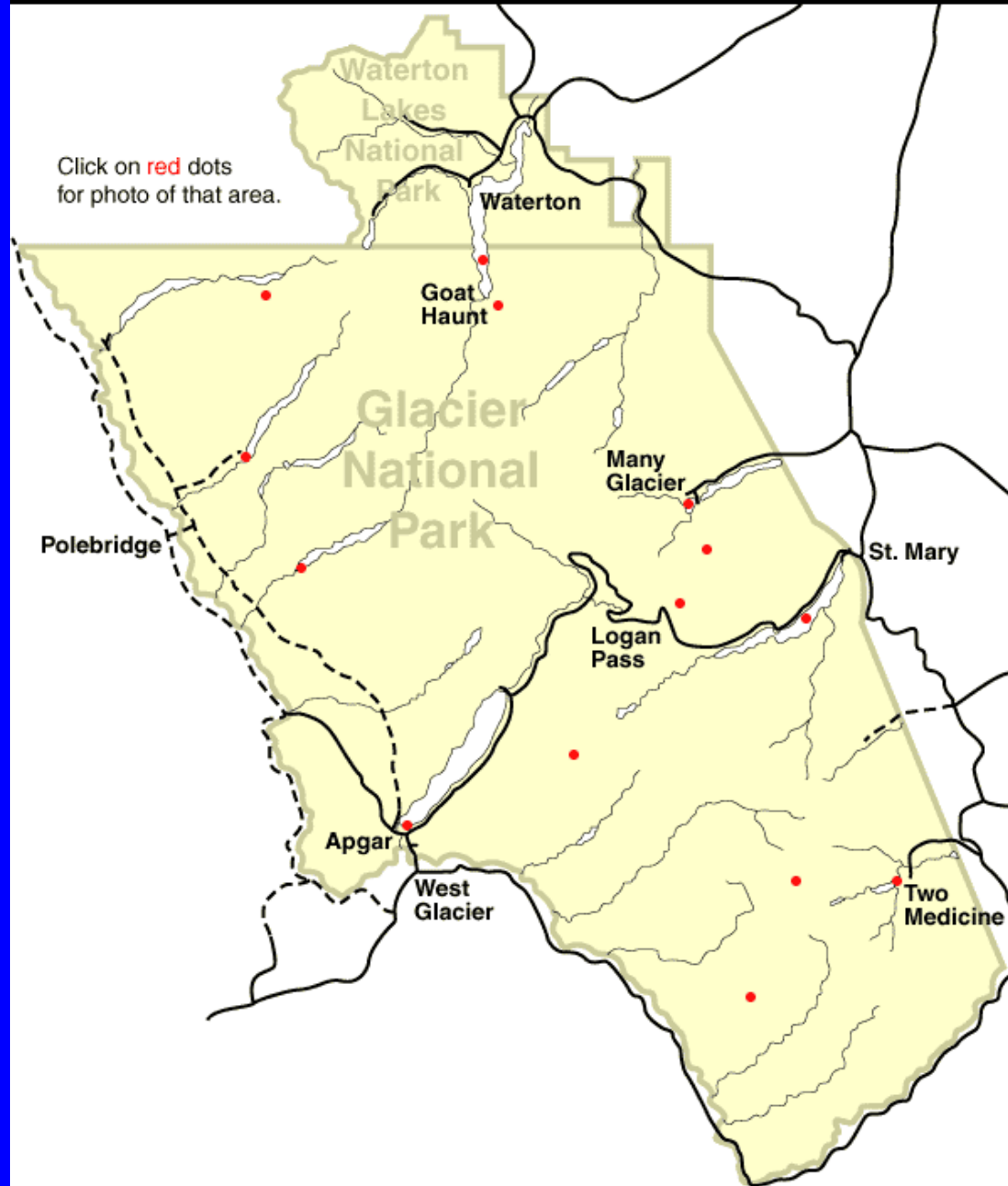
- 1997-2004: 24 SEPs worth \$5.3 million to offset \$3.2 million in cash penalties
- 2 energy related SEPs
 - Glacier National Park low-head hydro system
 - Mobile glass pulverizer

Supplemental Enforcement Projects

Low-head hydro system

- National Park Service
- Water quality violations
- \$190,000 system cost offset \$74,000 penalty

Waterton-Glacier International Peace Park



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Supplemental Enforcement Projects

Mobile glass pulverizer

- Yellowstone Development LLC
- Water quality violations during construction
- \$155,000 for equipment purchase and operation







Penalty-funded program

Pros

- No ad hoc negotiations
- Shifts administrative burden from enforcement to program staff

Cons

- Political capital – “Bounty Hunting”
- Start-up capitalization and administrative costs
- Unpredictable revenue stream

Supplemental Enforcement Projects

Pros

- No ongoing program liability
- Direct nexus
- Flexibility in selecting projects

Cons

- Ad hoc negotiations
- Administrative tracking burden

For More Information

Loan Program

Kathi Montgomery
Montana DEQ
406-841-5243
kmontgomery@mt.gov

SEPS

John Arrigo
Montana DEQ
406-444-5327
jarrigo@mt.gov